

SUMMARY ANALYSIS OF AMENDED BILL

Author: Walters Analyst: Anne Mazur Bill Number: AB 561
 Related Bills: See Prior Analysis Telephone: 845-5404 Amended Date: June 1, 2007
 Attorney: Douglas Powers Sponsor: Franchise Tax Board

SUBJECT: Amnesty Relief

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

☒ April 17, 2007, STILL APPLIES.

☒ OTHER – See comments below.

SUMMARY

This bill would provide relief to certain taxpayers with respect to the 2005 income and franchise tax amnesty as follows:

1. Allow taxpayers to request Chief Counsel review for relief from the amnesty penalty if certain criteria are met.
2. Convert the existing post-amnesty penalty to additional interest for liabilities that become final after the end of amnesty.
3. Eliminate the amnesty penalty on balance due amounts that are generated as a result of a post-amnesty change in interpretation or application of law.
4. *Provision deleted from bill.* (Change rate of interest for corporate taxpayers that filed protective claims in lieu of participating in amnesty so that any overpayment would bear the same interest rate imposed on underpayments.)
5. Eliminate all or a portion of the amnesty penalty for taxpayers that made protective claim payments for anticipated additional post-amnesty tax liabilities.

Board Position:

☒ S _____ NA _____ NP
 _____ SA _____ O _____ NAR
 _____ N _____ OUA _____ PENDING

Legislative Director

Date

Patrice Gau-Johnson

07/02/07

For Brian Putler

SUMMARY OF AMENDMENTS

The June 1, 2007, amendments deleted the provision that would have changed the rate of interest for corporate taxpayers that filed protective claims in lieu of participating in amnesty so that any overpayment would bear the same interest rate imposed on underpayments.

The previous analysis of the deleted provision no longer applies. Except for the revised Summary of Economic Impact section of the bill, provided below, the analysis of the bill as amended April 17, 2007, of the unchanged provisions of this bill still applies.

POSITION

Support.

On September 7, 2005, the Franchise Tax Board voted 3-0 to sponsor the provisions of this bill described in the Summary section of this analysis as provisions numbers 1, 2, 3, and 4. On December 7, 2005, the Franchise Tax Board voted 2-0, with the Director of Finance abstaining, to sponsor the provision of this bill described in the Summary section of this analysis as provision number 5.

SUMMARY OF ECONOMIC IMPACT

This summary of economic impact was revised to eliminate the estimated revenue impact—both the direct revenue loss and adjustment for interaction with other provisions—of the provision that was deleted from the bill. The deleted provision would have changed the rate of interest for corporate taxpayers that filed protective claims in lieu of participating in amnesty so that any overpayment would bear the same interest rate imposed on underpayments.

Estimated Revenue Impact of AB 561 Assumes Enactment After June 30, 2007 (\$ in Millions)				
	2006/07	2007/08	2008/09	2009/10
Chief Counsel Relief of the Amnesty Penalty				
Reduction in penalties	– \$6	– \$6	– \$2	a/
Return of Protective Claims and Future Revenue Offsets	– \$50	+ \$25	+ \$15	+ \$10
Convert Post-Amnesty Penalty to Additional Interest	– \$1	b/	b/	b/
Amnesty Penalty Exclusion For Post-Amnesty Interpretation of Law	c/			
<i>Provision deleted from bill</i>				
Post-Amnesty Penalty Relief For Taxpayers That Made Protective Claim Payments	– \$9	– \$1	a/	a/
Adjustments for Interaction of Provisions ¹	+ \$1	a/	a/	a/
Total Revenue Impact of this Bill	– \$65	\$18	\$13	\$10

a/ A loss less than \$500,000.

b/ A loss less than \$150,000.

c/ It cannot be predicted which, if any, laws or regulations will be re-interpreted in the future. Consequently, no revenue effect can be assigned to this proposal.

This estimate does not consider the possible changes in employment, personal income, or gross state product that would result from this bill.

LEGISLATIVE STAFF CONTACT

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¹ The revenue impact of each of the provisions included in this bill was estimated as if each were enacted independent of any other provision; however, if enacted together, the provisions interact with one another and impact the revenue estimate for the bill as a whole. For example, the provision that would permit Chief Counsel relief of the amnesty penalty interacts with the provision that would provide relief for taxpayers that made protective claim payments.